

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	
for the approval of an amendment to natural gas)	
transportation contracts with Graphic Packaging)	Case No. U-18215
International, Inc., and PostFoods, LLC.)	
_____)	

At the March 28, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER

On December 9, 2016, SEMCO Energy Gas Company (SEMCO) filed an application requesting *ex parte* approval of amendments to two natural gas transportation service agreements, attached to its application as Attachments A and B and to this order as Exhibits A and B (amendments), between SEMCO, Graphic Packaging International, Inc. (Graphic Packaging), and PostFoods, LLC (now Post Consumer Brands, LLC) (the special contract customers).

In its application, SEMCO states that the special contract customers are two of SEMCO's largest customers. Both companies' facilities are located within a few miles of an interstate natural gas pipeline. Because of their proximity to the interstate pipelines and their substantial annual consumption, these customers are capable of bypassing SEMCO's distribution system. SEMCO asserts that, if either company were to bypass SEMCO's distribution system, they would

no longer contribute to the recovery of SEMCO's fixed costs and these costs would then be spread to all of its other customers. SEMCO states that, so long as the special contract customers remain transportation customers on SEMCO's system, they contribute to SEMCO's fixed costs, which benefits all SEMCO customers.

SEMCO states that it recently negotiated amendments to natural gas transportation service agreements with Graphic Packaging and Post Consumer Brands, LLC, and seeks Commission approval of the amendments consistent with Mich Admin Code, R 460.2031(1). SEMCO asserts that the amendments are the product of good faith negotiations and compromise between the parties and adequately reflect changing conditions. SEMCO further asserts that, other than changing the date that the amended agreements commence, the remaining terms of the agreements are unchanged. SEMCO explains that, because the special contract customers have the ability to bypass SEMCO's transportation services, SEMCO negotiated rates and charges for natural gas transportation service that are different than those set forth in the company's filed tariff. SEMCO states that the amendments were negotiated at arms-length, do not impede competition, and reflect Michigan's need to retain and encourage economic development, particularly in the Battle Creek area.

SEMCO asserts that it possesses the system and administrative resources necessary to provide the transportation services required under the amendments and that no revised provision in the amendments will cause SEMCO to change the general operation of its natural gas systems. SEMCO states that approval of the proposed amendments will not increase its rates to any existing customer and that the special contract customers support the requested approval. SEMCO therefore maintains that *ex parte* approval is appropriate. SEMCO further indicates that it will

address any ratemaking issues regarding discounts associated with the amendments in its next general rate case.

After reviewing the application and amendments, the Commission Staff (Staff) recommends that the Commission approve the amendments. The Staff observes that the amendments are a result of good faith negotiations between SEMCO and the special contract customers. According to the Staff, approving the amendments will not increase the costs for any of SEMCO's other customers. The Staff adds that approving the amendments is consistent with MCL 460.6a(5).

The Commission, having reviewed SEMCO's application, the attached agreement amendments, and the Staff's recommendation, finds that the proposed amendments to the natural gas transportation agreements at issue in this case are reasonable and in the public interest, and should be approved. Further, because approval will not result in an increase in rates to any customer, *ex parte* approval is appropriate. If SEMCO seeks ratemaking treatment for any discounts associated with the amendments, the requirements of MCL 460.6a(5) must be satisfied.

THEREFORE, IT IS ORDERED that SEMCO Energy Gas Company's amendments to its natural gas transportation agreements attached as Exhibits A and B are approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of March 28, 2017.

Kavita Kale, Executive Secretary

SECOND AMENDMENT
TO
TRANSPORTATION SERVICE AGREEMENT

This Second Amendment (the "Amendment") is made as of the 18 day of October, 2016 to the Gas Transportation Agreement ("GTA") dated as of the July 1, 2011, between SEMCO ENERGY GAS COMPANY, a division of SEMCO Energy, Inc. ("Company") and Graphic Packaging International, Inc. ("Shipper"), which is the party of interest in the GTA.

Whereas, the Term and Cancellation Provision contained in Attachment A of the GTA provides that, at the end of the five (5) year period following the MPSC approval of this agreement, the terms stated in Attachment A shall continue, with the exception of the Transportation Rate which shall be \$0.40 per Dth on all volumes until terminated by either party following thirty (30) days written notice to the other party.

Whereas, in order to provide certainty and stability with respect to Transportation Rates, Shipper and Company desire to amend Attachment A to the GTA as detailed herein.

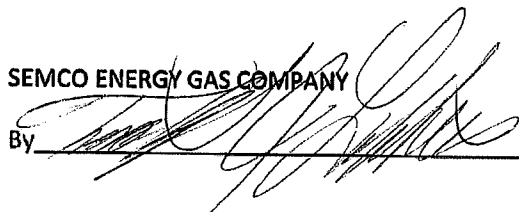
NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and promises contained in this Agreement, IT IS AGREED

1. Transportation Rate: Commencing the day after 12/1/2016 (the expiration of the of the Initial five (5) year period of the GTA) and the approval of the Amendment by the MPSC (the "Change Date"), the terms stated in Attachment A shall continue unmodified, except as amended in First Amendment dated May 1, 2014 and with the exception of the Transportation Rate, which at such time shall be \$0.30 per Dth on all volumes (the "Amended Transportation Rate"). The Amended Transportation Rate shall be in place for a period of five (5) years after the Change Date. After expiration of the term of the Amended Transportation Rate, all terms and conditions of Attachment A, except as amended in First Amendment dated May 1, 2014, shall continue until terminated by either party following thirty (30) days written notice to the other party.
2. Early Cancellation. Two (2) years after the commencement of this Amendment, either party shall have the right to cancel the GTA, upon providing 180 days written notice to the other party.
3. Approval by MPSC. The terms and condition of this Amendment must be filed with the MPSC. This Amendment shall not become effective unless and until approved by the MPSC. If the MPSC does not approve this Amendment, this Amendment shall become null and void.

4. Survival of the GTA and Attachment A. Except as otherwise modified by this Amendment, the terms and provisions of the GTA and Attachment A shall remain in full force and effect. Capitalized terms herein have the same meaning as defined in the GTA.

SEMCO ENERGY GAS COMPANY

By

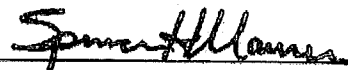


Name Timothy J. Lubbers

Its Director of Business Development

COB Graphic Packaging International, Inc.

By



Name Spencer H. Maurer

Its VP, Supply Chain

FIRST AMENDMENT
TO
TRANSPORTATION SERVICE AGREEMENT

This First Amendment (the "Amendment") is made as of the 3 day of November, 2016 to the Gas Transportation Agreement ("GTA") dated as of the July 1, 2011, between SEMCO ENERGY GAS COMPANY, a division of SEMCO Energy, Inc. ("Company") and Post Foods, LLC ("Shipper"), which is the party of interest in the GTA.

Whereas, the Term and Cancellation Provision contained in Attachment A of the GTA provides that, at the end of the five (5) year period following the Michigan Public Service Commission ("MPSC") approval of this agreement, the terms stated in Attachment A shall continue, with the exception of the Transportation Rate which shall be \$0.40 per Dth on all volumes until terminated by either party following thirty (30) days written notice to the other party.

Whereas, in order to provide certainty and stability with respect to Transportation Rates, Shipper and Company desire to amend Attachment A to the GTA as detailed herein.

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and promises contained in this Agreement, IT IS AGREED

1. **Parties:** Post Consumer Brands, LLC is now the parent company of Post Foods, LLC due to a recent change in corporate structure. For this reason, Post Consumer Brands, LLC will be substituted for Post Foods, LLC as a party to the GSA. Post Consumer Brands, LLC is a Delaware limited liability company (also referred to as "Shipper").

2. **Notices.** Pursuant to Attachment A of the GSA, all notices to Shipper shall be delivered to the address or person listed in Attachment A with a copy to:

Post Consumer Brands, LLC
20802 Kensington Boulevard
Lakeville, MN 55044
Attn: Legal Dept.

3. **Transportation Rate:** Commencing the day after 12/1/2016 (the expiration of the of the initial five (5) year period of the GTA) and the approval of the Amendment by the MPSC (the "Change Date"), the terms stated in Attachment A shall continue unmodified, with the exception of the Transportation Rate, which at such time shall be \$0.30 per Dth on all volumes (the "Amended Transportation Rate"). The Amended Transportation Rate shall be in place for a period of five (5) years after the Change Date. After expiration of the term of the Amended Transportation Rate,

all terms and conditions of Attachment A shall continue until terminated by either party following thirty (30) days written notice to the other party.

4. Early Cancellation. Two (2) years after the commencement of this Amendment, either party shall have the right to cancel the GTA, upon providing 180 days written notice to the other party.

5. Approval by MPSC. The terms and condition of this Amendment must be filed with the MPSC. This Amendment shall not become effective unless and until approved by the MPSC. If the MPSC does not approve this Amendment, this Amendment shall become null and void.

6. Survival of the GTA and Attachment A. Except as otherwise modified by this Amendment, the terms and provisions of the GTA and Attachment A, including the Interruptible Daily Balancing Tolerance ("DBT") of 30% of Shipper's daily nomination, shall remain in full force and effect. Capitalized terms herein have the same meaning as defined in the GTA.

SEMCO ENERGY GAS COMPANY

By 

Name Timothy J. Lubbers

Its Director of Business Development

Post Consumer Brands, LLC

By 

Name Brian Palmer

Its SVP, CPO